

MASSACHUSETTS
40 main st, suite 301
florence, ma 01062
tel 413.585.1533
fax 413.585.8904

WASHINGTON
501 third street nw, suite 875
washington, dc 20001
tel 202.265.1490
fax 202.265.1489



Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

October 14, 2011

Re: Notice of *Ex Parte* Presentation, WT Docket No. 11-65; WC Docket Nos. 10-90, 05-337, 03-109, 11-42; CC Docket Nos. 01-92, 96-45; GN Docket No. 09-51

Dear Ms. Dortch,

This letter is to advise you that on October 12, 2011, Matt Wood, Chris Riley, and Joel Kelsey of Free Press met with Commissioner Michael J. Copps and Mark Stone, Chief of Staff to Commissioner Copps. The purpose of the meeting was two-fold: First, to discuss prior presentations made by Free Press concerning the Intercarrier Compensation (ICC) and Universal Service Fund (USF) “reform” proposals made by various carriers and associations, and second, to discuss prior presentations made by Free Press concerning the proposed acquisition of T-Mobile, USA, by AT&T.

In its presentation concerning ICC and USF reform, Free Press reiterated the arguments and details from its prior presentation of October 3, 2011 in the above-captioned proceedings (other than WT Docket No. 11-65). Specifically, Free Press made clear its concerns that the industry proposals, or alternative systems derived from them, would lead to a net loss for consumers. If adopted in anything resembling their current form, these industry-authored proposals would permit carriers to increase the subscriber line charge (SLC) or impose other “recovery” charges on rural and urban phone customers alike, raising prices for ordinary consumers without any demonstration that the carriers’ costs have increased or that the higher recovery is needed for any reason other than to pad profit margins further.

Free Press noted that many discussions of ICC and USF reform omit any proposals to address adoption of broadband services, a problem arguably greater than service deployment. Free Press urged the Commission to seek data on forward-looking costs of providing service in high cost areas, and prevent any increase in SLCs or other such charges without identifying a true, carrier-specific need for the increase. Free Press also suggested that at the very least Lifeline recipients must be held harmless from any price increase in the SLC or other such mechanisms, so that the poorest consumers are not further harmed by the reform process. Finally, Free Press expressed some concern that subsequent challenges would result in a final outcome where the Commission pays more money to the least deserving carriers, but cannot effectively enforce the broadband deployment obligations that the agency had intended to impose in exchange.

In its presentation concerning AT&T/T-Mobile, Free Press reiterated the arguments and details from: 1) the highly confidential attachment to its August 11th Notice of *Ex Parte* Presentation, previously filed in WT Docket No. 11-65, and 2) the highly confidential September 19th written *Ex Parte* Presentation previously filed in that same proceeding. Copies of these filings, identical to those already in the record, were left with Commissioner Copps and Mr. Stone.

Using the data in the two named filings, Free Press presented four primary arguments in response to recent assertions made by AT&T. First, Free Press contended that a merger of AT&T and T-Mobile – like any other horizontal merger – would result in many job losses. To support this contention, using the September 19th written *Ex Parte* Presentation, Free Press noted that AT&T’s claimed \$8 billion investment estimate in the EPI jobs study in fact represents a \$10 billion net loss in total investment, compared to the two separate companies’ total investments in the “but for” world. Furthermore, even using the misleading \$8 billion figure, the EPI study’s claims must be taken with a grain of salt because its output is measured in “job years” – which would mean 16,000 jobs or fewer if each new job lasted the entire six year transition period. Second, we explained that there is no basis in fact for AT&T’s claim that it needs the merger in order to deploy “4G” broadband service, or even LTE service, to 97 percent of the nation’s population. As AT&T’s own inadvertent disclosure of protected information demonstrated, the company could indeed expand its LTE footprint to cover 97 percent of the population at a cost less than one-tenth the purchase price for T-Mobile. That information and other evidence in the record demonstrates conclusively that expanded rural coverage by AT&T is not in any way, shape, or form dependent on this merger.

Third, Free Press argued that competition would be greater in the “but for” world without the proposed merger, and that more competition would translate to greater investment and lower prices for consumers. Fourth, Free Press reiterated its demonstration of the flaws in the engineering models offered by AT&T that purport to demonstrate spectrum efficiencies, as explained in the August 11th Notice of *Ex Parte* Presentation. In addition to these arguments, Free Press noted similarities between the current proceeding and the Echostar precedent, citing favorable language in the Commission’s order designating that proceeding for a hearing. Free Press indicated its support for a similar, strong order to designate the proposed merger of AT&T and T-Mobile for a hearing, one that would apply the standard of “truly extraordinary” efficiencies used in Echostar.

Sincerely,

/s/ Chris Riley

Chris Riley, Policy Counsel
Free Press, Washington Office
criley@freepress.net

CC via email: Commissioner Michael J. Copps
Mark Stone